

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-286-WS

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SC PUBLIC SERVICE
COMMISSION

IN RE:

Application of Utilities Services of
South Carolina, Inc. for adjustment of
rates and charges and modifications to
certain terms and conditions for the
provision of water and sewer service.

CONDITIONAL DIRECT TESTIMONY
OF
BRUCE T. HAAS

1 **Q. ARE YOU THE SAME BRUCE T. HAAS THAT HAS PREFILED DIRECT**
2 **TESTIMONY IN THIS CASE?**

3 **A.** Yes, I am.
4

5 **Q. WHAT IS THE PURPOSE OF YOUR CONDITIONAL DIRECT TESTIMONY IN**
6 **THIS PROCEEDING, MR. HAAS?**

7 **A.** The purpose of my conditional direct testimony is to respond on behalf of Utilities
8 Services of South Carolina, Incorporated, or "USSC," to some of the statements made by
9 our customers during the night hearings in this matter. Specifically, I would like to
10 address customer statements regarding the amounts of their water bills, comparison of
11 rates charged by USSC with those charged by other entities, perceived "double billing,"
12 company investments in plant and facilities, water taste and odor, and specific complaints
13 by Linda Hogan Fick and Daryl Rogers.
14

15 **Q. MR. HAAS, REGARDING CUSTOMER STATEMENTS ABOUT HIGH WATER**
16 **BILLS, WHAT CAUSES COULD THERE BE FOR A BILL THAT IS HIGHER**
17 **THAN NORMAL?**

1 **A.** There are several factors that may contribute to a customer's bill being higher
2 than normal. Most often, higher bills are simply caused by higher consumption. Many
3 USSC customers have irrigation systems on their property which can have a significant
4 impact upon a customer's usage. In periods of drought-like conditions which we have
5 recently experienced throughout South Carolina, customers use more water on lawns and
6 gardens because of a lack of rainfall. This can easily double the average customer's
7 monthly water consumption.
8

9 **Q. WHAT OTHER FACTORS COULD CAUSE A CUSTOMER'S BILL TO BE**
10 **HIGHER THAN NORMAL?**

11 **A.** On occasion, a leak may cause a customer's bill to be excessive. Leaks on a
12 system can sometimes be difficult to detect and, unbeknownst to the customer, more
13 water than normal will be used. Such problems can be caused by a leaky toilet, dripping
14 faucets, or a break in a pipe. This was the case with Mr. Peter Kratz who testified at the
15 Anderson County public hearing. Mr. Kratz had a pipe leak in a concealed area which
16 Mr. Kratz testified that he was aware of but elected not to immediately repair.
17

18 **Q. DOES USSC TAKE ANY STEPS TO HELP CUSTOMERS IDENTIFY AND**
19 **STOP LEAKS?**

20 **A.** Yes, we do. The Company's billing software alerts our customer service
21 representatives in the event a customer's consumption is significantly higher than normal.
22 In such an instance, or when a customer calls regarding a high bill, we create a service
23 order to verify the read on the meter and to check for leaks. If the dial is moving when
24 our operator inspects the meter, the operator is aware that water is being used or that
25 water leaking somewhere on the property. The operator leaves a hanger on the
26 customer's door informing them of our findings. If the customer is not satisfied with our
27 findings, we will go to the next step and have the meter tested. Additionally, the
28 Company provides "toilet dye" to help detect toilet leaks.
29

1 **Q. DID USSC PERFORM SUCH AN INVESTIGATION IN THE INCIDENT WITH**
2 **MR. KRATZ?**

3 **A.** Yes. Our service records indicate that the Company notified Mr. Kratz on more
4 than one occasion of potential leaks on his system. On the most recent occasion, our
5 customer service representatives were alerted to a higher than normal consumption on
6 Mr. Kratz's account. An operator verified the meter reading and called the customer to
7 report that the investigation indicated a leak on the customer's side of the meter. At that
8 time, the customer's mother informed the Company that Mr. Kratz would investigate the
9 source of the water leak himself.
10

11 **Q. DOES USSC REPAIR LEAKS ON CUSTOMERS' PROPERTY?**

12 **A.** If our employees encounter a leak on the portion of the service line that is the
13 responsibility of the utility to maintain, we immediately take the necessary steps to
14 correct the problem. Many times, however, if there is a leak, it is on the customer's side
15 of the line as was the case with Mr. Kratz.
16

17 **Q. IF A CUSTOMER DEVELOPS A LEAK, DOES USSC PROVIDE ACCOUNT**
18 **ADJUSTMENTS TO CUSTOMERS THAT HAVE HIGH WATER BILLS DUE**
19 **TO LEAKS?**

20 **A.** No, we do not. While a high bill due to water leaks can be burdensome for the
21 customer, it is the customer's responsibility to maintain his or her plumbing and fixtures
22 to avoid such problems. Additionally, on certain systems, USSC purchases water from
23 bulk suppliers; therefore, when it reaches the customer, USSC has already incurred
24 expenses in buying that water. If USSC were to provide a refund to customers that
25 encounter leaks on their plumbing, all other USSC customers would be required to
26 subsidize that cost. I believe that it is better for those individual homeowners to accept
27 responsibility for leaks on their property than to ask for all of the USSC customers to pay
28 for the increased cost of those leaks.
29

1 **Q. MR. HAAS, WITH RESPECT TO CUSTOMER STATEMENTS THAT THE**
2 **COMPANY’S RATES ARE HIGHER THAN RATES THAT ARE CHARGED TO**
3 **OTHER RESIDENTS OF ANDERSON, WHAT COMMENT DO YOU HAVE?**

4 **A.** We do not believe that it would be appropriate for the Commission to set our rates
5 based upon what some other entity may charge its customers. As pointed out by Ms.
6 Melanie Wilson, several other water service providers currently serve in the areas in and
7 around the City of Anderson. The entities identified by Ms. Wilson in her presentation
8 are public service districts which provide water and sewerage service. Governmental
9 entities such as these districts have the ability to raise “cost-free” revenue by way of
10 property taxes. And, to the extent that they have to borrow money, these districts have
11 bonding capacity which allows them to acquire debt capital at a much lower cost than
12 that which a private entity incurs in commercial capital markets. Also, these entities have
13 no obligation to shareholders to make a profit, nor do they pay taxes. Additionally,
14 certain governmental entities have the ability to charge higher rates to its customers who
15 do not live in the City, which subsidizes the rates paid by residents. So, service rates
16 charged by governmental entities or not-for-profit entities to resident customers should be
17 lower than those of a private entity.

18
19 **Q REGARDING THESE WATER PROVIDERS IN ANDERSON COUNTY, DO**
20 **YOU HAVE ANY COMMENTS CONCERNING CUSTOMER TESTIMONY**
21 **THAT USSC IS CHARGING “DOUBLE RATES?”**

22 **A.** Based upon statements made at the night hearings, it appears that some customers
23 do not fully understand how their bills are calculated. In certain subdivisions, USSC
24 receives water through a bulk supplier and then distributes that water to its customers. In
25 these instances, USSC imposes a distribution charge which allows the Company to
26 recover its costs to operate and maintain the distribution portion of the water system.
27 Additionally, the Company passes the costs of the bulk water through to its customers
28 without mark-up pursuant to its tariff authorized by this Commission in Order No. 2006-
29 22, dated January 19, 2006. Even though the cost is passed through directly to the

1 customer, that is not to say that the cost of the bulk water supply charged by the supplier
2 is necessarily reasonable.
3

4 **Q. COULD YOU ELABORATE ON THAT LAST POINT?**

5 **A.** Yes. As several customers stated, the per thousand gallon charges for bulk water
6 supply charged by public service districts such as Hammond Water Service District are
7 the same as those the districts charge their full service customers. Those districts do not
8 have a reduced fee for those customers such as USSC which only receive bulk water
9 supply and, instead, are charging full service fees without having to maintain a full
10 service system. Moreover, the districts identified by Ms. Wilson are all members of the
11 Anderson Regional Joint Water System which owns and operates the water treatment
12 plant and distribution system used to supply water from Lake Hartwell. Therefore, they
13 do not pump or treat water they supply to their customers. The districts merely serve as
14 middlemen transporting water from the supply source. Unfortunately, these charges are
15 not established by USSC and are not subject to approval by the Commission. USSC
16 believes that the customers' comments concerning these rates would, therefore, be more
17 appropriately directed at the individual bulk suppliers.
18

19 **Q. SOME CUSTOMERS NOTED AN IMPROVEMENT IN THE COMPANY'S**
20 **SERVICES SINCE THE LAST RATE CASE, WHILE OTHERS STATED THAT**
21 **THEY HAD NOT. WOULD YOU PLEASE COMMENT ON THAT?**

22 **A.** Yes. As the Commission is aware from the Company's last application for a rate
23 increase filed in Docket No. 2005-217-W/S, USSC was formed in 2002 to acquire the
24 assets of two public utilities, Utilities of South Carolina, Inc. and South Carolina Water
25 and Sewer, LLC, which were both experiencing financial, operational and regulatory
26 distress. Pursuant to authorization granted by the Commission in Order Number 2002-
27 533 in Docket Number 2002-124-W/S, and at the behest of the South Carolina
28 Department of Health and Environmental Control, or "DHEC," USSC acquired certain of

1 the operating assets, the service territory and certificates of these public utilities in
2 October of 2002.

3
4 **Q. WHAT WAS THE NATURE OF THE DISTRESS THESE COMPANIES WERE**
5 **EXPERIENCING?**

6 A. Both entities were suffering from significant financial distress resulting from
7 failure to seek needed rate relief, delinquency in remitting to DHEC certain operating
8 fees and monetary penalties, and litigation involving the parent company, U.S. Utilities,
9 Inc. in South Carolina circuit court and the United States Bankruptcy Court for the
10 Southern District of New York. Additionally, more than half of the water systems
11 acquired by the Company in October of 2002 were not in compliance with DHEC rules
12 and regulations. Similarly, the four sewer systems were in various states of disrepair.

13
14 **Q. WHAT STEPS HAS THE COMPANY TAKEN TO IMPROVE THE POSITION**
15 **OF THESE SYSTEMS?**

16 A. Through a variety of capital projects and expenditures, USSC has endeavored to
17 make improvements and has documented for the Commission over five million dollars
18 worth of plant additions since October 2002 and over three million dollars worth of plant
19 additions since the Company's last rate case. Some of these improvements do not result
20 in benefits that are visible to customers in every subdivision. Also, like any organization,
21 the Company has limits with respect to the manpower which can be devoted to capital
22 project initiation and completion. Thus, staging of improvements is necessary. Although
23 not all customers may see the improvements in service, it is our goal to make
24 improvements where necessary for the benefit of all customers.

25
26 **Q. DO YOU HAVE ANY COMMENTS ON THE COMPLAINTS BY SEVERAL**
27 **CUSTOMERS CONCERNING THE TASTE OR ODOR OF THE WATER**
28 **PROVIDED BY USSC?**

1 **A.** Yes. USSC makes every effort to ensure that its customers receive the highest
2 quality of water. In certain areas, however, USSC purchases its water from bulk
3 suppliers, as I have previously mentioned. These suppliers pump, filter and treat the
4 water before it is provided to USSC for distribution. Therefore, there is little additional
5 treatment USSC can perform to enhance the quality of the water without significantly
6 increasing costs. In other areas, customers receive water supplied by deep drilled wells.
7 Groundwater taken from wells can have mineral content characteristics that often cause
8 the water to be discolored. Filtration at the well and at the customer premises may
9 alleviate the problem, but these are high cost and high maintenance solutions for both the
10 utility and the customer.

11
12 **Q. MR. HAAS, DURING THE NIGHT HEARING HELD IN ANDERSON COUNTY,**
13 **MS. LINDA HOGAN FICK EXPRESSED CONCERN WITH AN EXPOSED**
14 **WATER MAIN; IS THAT WATER MAIN ON HER PROPERTY?**

15 **A.** No, it is not. It traverses a storm drainage ditch that is located in woods near her
16 property.

17
18 **Q. WHY IS THE WATER MAIN EXPOSED?**

19 **A.** Initially, I would note that Ms. Fick previously raised this issue during the
20 Company's prior rate case proceeding in 2005. As I indicated in my rebuttal testimony
21 filed in that matter, and as the photograph Ms. Fick provided to the Commission shows,
22 there is a storm water pipe that discharges directly on to the area where this main is
23 located. As a result, the ground in which the main was originally set eroded. However,
24 exposure of the main is not a violation of any rules or regulations regarding the
25 installation of water facilities which have been promulgated by the Department of Health
26 and Environmental Control, or DHEC.

27
28 **Q. WOULD IT BE PRACTICAL TO FILL IN OVER THE WATER MAIN?**

1 A. No, it would not. Filling in the area where the storm water drains would only be a
2 temporary fix since future drainage will erode the soil again. Furthermore, filling that
3 area in would impede the storm water drainage and thus cause erosion of soil on the
4 banks of the existing drainage ditch.
5

6 **Q. HAS THE COMPANY TAKEN ANY STEPS TO ADDRESS MS. FICK'S**
7 **CONCERNS IN THIS REGARD?**

8 A. Yes. Company officials met on site with Mr. Joe Faris of the DHEC Catawba
9 region office and Ms. Fick back in 2003. At Mr. Faris' suggestion, we replaced the PVC
10 piping used for the main with ductile iron piping (DIP), which was completed on October
11 8, 2003, some four years ago. The DIP piping (black in appearance) is actually shown in
12 the photograph provided by Ms. Fick. This is a sturdier type piping that will better resist
13 sagging and thus significantly reduce the possibility of a line break and is in conformance
14 with DHEC regulations.
15

16 **Q. DO YOU HAVE ANY OTHER COMMENTS CONCERNING CUSTOMER**
17 **TESTIMONY?**

18 A. Yes, I would like to respond to certain comments made by Mr. Daryl Rogers at
19 the night hearing held in Anderson County. Mr. Rogers stated that he had experienced 4
20 water line breaks over the past ten years. Additionally, he stated that he had not received
21 any boil water advisories related to these breaks. Initially, I would note that the
22 Company has only owned and operated these systems since October 2002 and that, as
23 testified to by Mr. Rogers, only two of these breaks occurred during the Company's
24 ownership of this system. Additionally, I would note that Mr. Rogers would not have
25 been sent a boil water advisory for main breaks that occurred "down the line" from his
26 service line as there would be no contamination in the line.
27

28 **Q. DOES THIS CONCLUDE YOUR CONDITIONAL DIRECT TESTIMONY?**

29 A. Yes, it does.